The Management REVIEW

AMERICAN · MANAGEMENT · ASSOCIATION

AMA

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COMMENT · DIGEST · REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

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MARCH, 1940

Volume XXIX No. 3

The Management REVIEW

FEELING grumpy about the lateness of Spring and the mud in the back yard, we are moved this month to an outburst, to wit: That this National Labor Relations Act is certainly a vexatious and puzzling piece of business. Now take the foremen (how often do we hear that!), consider his rights under the Act. It appears to make him an industrial mugwump with one half of him on the management side of the fence and the other half on the labor side. He can be a member of the union, but he dasn't be a *very active* member; he must be just so-so. He can't root too hard for or against the union. Reducing this to an absurdity, if a foreman should attend a union meeting at which a delegate criticizes the organization and if he should wear an approving expression he might be censured because by so doing he might influence his subordinates who are also in attendance. In fact, one grin of delight under such circumstances could conceivably cause wholesale union resignations.

WE SHOULD LIKE to venture another statement, to wit: The place of the foreman in the managerial picture has not been entirely clear. In some companies the foreman on certain days is really a foreman and on other days only a bench worker. In some companies he is paid a weekly salary, in others he is paid on an hourly basis. In short, many foremen have real doubt as to just what is their status. They know that their allegiance belongs somewhere, but if management does not provide an equitable differential between their pay and that of rank-and-file workers, does not take them into its confidence, and treats them as poor relations, and, if the Labor Act stringently circumscribes their union activities—well, what's a fellow to do.

IN ITS SUPERVISORY forces management has a wonderful opportunity. Many companies have already realized this and foremen working for them do not experience the anomalies described. More information on the whole subject in **The Foreman's Union Card** (page 84).

Current Comment

SIMPLIFIED BOOKKEEPING—A NEW DEMOCRATIC TOOL

In the current dramatic race between democracy and dictatorship, new-style simplified social bookkeeping is providing self-governing people with a new intellectual tool which will prove of decisive importance.

Aided by this new device of simplified national and corporate bookkeeping in double-entry form, democracy will have a chance to function efficiently despite the growing complexities of modern civilization. This new method of objective fact-finding will obviate the alleged need of a "strong man" or of a "strong centralized government." Thus, if we in the United States proceed intelligently, we shall not have to change our form of government and surrender direction of our national affairs to highly centralized dictatorial governments such as now hold sway in Russia, Germany and Italy.

It is significant, too, that this new method for achieving economic understanding is not a product of the academic or political world, but originated in industry itself. Inspired by private researches, Notre Dame popularized the approach in its notable volume entitled: "A Study of the Physical Assets, Sometimes Called Wealth, of the United States, 1922-1933." Statewide bookkeeping studies have recently been made in New Hampshire and Illinois, and the approach has been used for tax purposes in Indiana and Wisconsin.

The American way can be preserved by patient gathering of essential summary facts concerning the wealth and income of the people, classifying such data intelligibly, and then presenting them in streamlined form so that voters can render informed judgments concerning prevailing problems.

Bookkeeping is the modern way of making candid camera shots

of realities in the material world, and of relating specific situations to the significant totalities. On the other hand, political ballyhoo, without benefit of dependable figures, tends to take questions out of their proper setting, and leads only to designed confusion.

Bookkeeping is more than figure-mongering. It involves a philosophy of life and a scientific approach to determining the truth. The double-entry bookkeeper believes in the indestructibility of matter, and for every transfer of property shows not only "where from" but also "where to." Bookkeeping recognizes the importance of cost determination in business.

The social viewpoint can be injected also into the accounting of private corporations. By reinterpreting the cost sheet, business executives can demonstrate that the bulk of corporate receipts is redistributed in wages and taxes, with only a small residue left as a reward for the risks of ownership. Out of the gross receipts obtained each year through pleasing customers with goods and services, the business man must meet five principal factors of cost, namely: taxes; goods and services purchased from others; cost incidental to the wearing out and growing old-fashioned of the tools and other assets; wages and salaries; and the rewards for capital, which might be described as a wage payment for the use of the tools and other assets.

Honest streamlining of corporate accounts helps to clarify uncertainties in the minds of stockholders, customers and employees of corporations, and emphasizes the underlying truth that the modern corporation represents a consolidation of tools to produce more and better goods.

More is involved than the public relations of individual corporations. I think that our capacity to compete in the modern world against hoodlum governments overseas masquerading as totalitarian states is at stake. To the extent that the democracies permit the issues to be clouded by demagogues and by loose-thinking doctrinaires unfamiliar with realities, we enormously handicap ourselves in this competition against the new forces of evil.

MERRYLE STANLEY RUKEYSER.

This thesis will be amplified in Mr. Rukeyser's forthcoming volume, "Financial Security in a Changing World."

THE MANAGEMENT INDEX

General Management

The Foreman's Union Card

DURING a recent strike, some of the employing company's foremen joined a union affiliated with the organization to which the strikers belonged and demanded the right of collective bargaining. Although the demand was later withdrawn, the episode caused widespread misgiving.

If foremen can organize and bargain collectively, thus seeming to cast in their lot with union labor, how, it was asked, can an employer still look upon them as his own deputies in managing the shop? If organized foremen decide to support a strike, how can the employer maintain discipline or even keep the establishment in operation? Would not management become, in effect, a house divided against itself?

And yet the organization of foremen is not wholly new. There have been for many years some instances of unionism in the supervisory ranks. An outstanding example is the printing trade, in which foremen belong to the same unions as their subordinates.

In fact, a fairly large proportion of labor unions permit the enrolment of employees having some degree of supervisory authority. In most A.F.L. unions this privilege of membership stops with foremen who do not have the power to discipline, hire and discharge men. Recently, however, especially since the rise of the C.I.O., unionization of foremen has been more extensive, with a growing tendency to include officials having the power of employment and discharge. Sometimes the unions have been the same as those to which the rank-and-file workers belonged; at other times they have been separate.

Under a strict interpretation of the National Labor Relations Act, it is probable that foremen—or plant managers or vice presidents, for that matter — have rights of self-organization similar to those of manual workers.

The Labor Board has repeatedly upheld the right of foremen to organize and bargain collectively, although it usually has excluded them from bargaining units made up mainly of rank-and-file employees. In the maritime

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service, the Board has certified several groups of licensed officers as collective bargaining agencies.

If the foreman is thus an employee and therefore entitled to the protection of the Wagner Act, he is also, by the terms of that same law, a representative of management. As such, he is expressly forbidden to influence the choice of the workers in respect to unionization or collective bargaining. But if foremen join a union which admits manual workers to membership—or even one which is affiliated with a rank-and-file organization — can the Labor Board overlook the possibility that this fact has an influence on the collective bargaining activities of the workers?

Confronted with this legislative *reductio ad absurdum*, the Board has ruled (Ward Baking Company case, July 23, 1938) that a foreman has a right to belong to a wage earners' union but that he cannot be active in recruiting members.

To some extent the organization of foremen is part of an epidemic of unionism which has affected numerous white-collar groups. A more fundamental cause, however, may be found in the genuine doubt which many foremen have had about their status in industry. Some foremen have been paid hourly rates instead of the weekly or monthly salaries other officials received, and sometimes these rates have been little, if any, higher than those of skilled craftsmen. In some shops supervisory employees have been rotated from job to job, serving as foremen one day and as workmen the next, without ever being sure just what their positions were. In far too many instances, employers have treated foremen, not as members of the managerial family, but as poor relations.

Many foremen have suffered from their superiors' deliberate or thoughtless failure to take them into confidence. Often employers have expected the foremen to defend management policies and interpret them to the workers but have neglected to explain those policies to the foremen themselves.

To some extent, another cause of foremen's unions is to be found in unskilled selection of supervisory employees and their faulty training for their jobs.

These various causes of unionism suggest at least part of the answer to the problem. If the foreman is to act like a member of management, he must be treated like one. He should be consulted first, not last, about policies that affect operations in his shop. And in his dealings with labor, he should be given all the liberty that is possible within the framework of the company's industrial relations policies. By Edward S. Cowdrick. *Nation's Business*, February, 1940, p. 15:5.

▶ PICKETING by telephone was recently introduced to industry when CIO had a group of strikers clog the company's switchboard with telephone calls demanding recognition of union demands.

—*Forbes* 3/1/40

Selling by Robot

ONE day more than 50 years ago, young Tom Watling was worried. Where could they all get weighed? All those millions of people? There weren't enough weighing scales to go round.

So young Mr. Watling rolled up his sleeves, and the penny weighing scale was born!

Then someone had the idea that this coin-in-the-slot idea could be used to sell other services, other products, and the second great development in the coin machine industry occurred in the form of the penny arcade.

But enterprising men reasoned that the coin machine industry could mean more than weighing scales, automatic picture erotica, and peanut and gum vendors in an amusement park. They took the peanut vendors and gum vendors and chocolate bar vendors out of the penny arcades and sent them broadside into every nook and corner of the everyday world. Thousands of machines flooded the store counters of retail industry. They are there today. Except now, there are as many nickel machines as there are penny vendors. One single company, the Automatic Canteen Co. of America, has become the largest buyer of candy, gum and nuts in the United States, and it is also said to be the largest single buyer of Wrigley's gum.

In slow, steady strides the coin machine industry marched on to greater achievements. It has not limited itself to peanuts, chewing gum and entertainment; rather, it is marching into every conceivable field of five-and-ten-cent merchandising. Here are a few of the products that are being sold or rented by coin machines: Coca-Cola, milk, cigarettes, cigars, apples, oranges, sandwiches, bakery and delicatessen goods, handkerchiefs, towels, wash cloths, combs, soap, perfume, magazines, books, electric razors.

This is but a small part of the industry's golden catalog. I have not even mentioned the automatic photograph, coin-in-the-slot studios, or the coin-operated voice-recording machines—make a record of your voice for 25 cents—or the clever Vibro-Pep machine that vibrates and refreshes the feet of tired shoppers, waitresses and hikers for a penny. (Eastern department stores have already begun to install them for customers and employees.)

Ninety-five per cent of all the coin machine manufacturers in the United States are located in Chicago. The Chicago manufacturers have been doing about $75,000,000 worth of business annually, employing between 35,000 and 40,000 people in Chicago alone if you include allied trades supplying wood, glass, paints, lacquers, electric equipment, machinery and other products used in the production of the coin machines. Not less than $300,000,000 is invested in the coin machine industry at this moment, and this figure is increasing by leaps and bounds. For, significantly, during the past five years—1935-39—the sales of

coin machines of all types have increased five times. The violent upswing is due to increased public acceptance and to a greater interest in coin machines on the part of American business as a whole.

What will the next five years bring to this no longer obscure coin machine industry? There are some startling possibilities. Automatic vendors, some manufacturers believe, may take the place of sales clerks in the handling of thousands of small, standard lines of packaged goods, saving millions of dollars annually in salaries. Completely mechanized five-and-ten-cent stores may become a reality. Mechanized grocery stores may become a commonplace in the thousands of apartment buildings that already have, in their laundry rooms, coin-controlled electric washing machines for the use of tenants. By HAROLD S. KAHM. *Barron's*, March 11, 1940, p. 8:1.

R.I.P. No Flowers!

MEMBERS of the Illinois Lumber and Material Dealers Association have voted in the ratio of nine to one in favor of abolishing hotel room "entertainment" at conventions.

This is a commercial custom for which a dirge would be most appropriate. Of course there will be howls from those peddlers who say they must use bottle bait to get business. But the burden of proof is theirs to show that any buyer in his right senses ever autographed an order because of gratitude for the quantity or quality of free potations offered by a salesman.

True, the convention quartets would suffer. Some of the boys who have been adding to the gayety of life by making spectacles of themselves would be restrained a bit. But these sacrifices would not be in vain. Association officers could labor and produce convention programs with some assurance that they would not be rendered to empty seats owing to the competition of Bacchus in Room 202.

—*Nation's Business* 2/40

Advertising That Smells

DEVELOPMENT of the olfactory dimension in newspaper advertising gains momentum. Just a few weeks ago a scented newspaper advertisement of a perfume retailer appeared—or perhaps "smelled" is the word—in the Indianapolis *Star*, the effect having been achieved by seasoning the regular printing ink with an appropriate essence. Then came Kansas with a candy advertisement in the Atchison *Globe* that gave off an aroma of peppermint. Latest is a cooperative florists' advertisement in the Chicago *Tribune* wherein a bouquet of roses was reproduced in both native color and odor.

The prospects for further application seem almost boundless. Every food product, all cosmetics, nearly all drug products, and many other miscellaneous articles are potential objects of renditions of their respective smell appeals.

While we do not wish to seem nosey, we do hope that the manufacturers of Listerine, Life Buoy soap, Mum and other items prescribed for similar conditions may be trusted to temper their possible enthusiasm for this new approach to the consumer with discretion and moderation.

—*Printers' Ink* 12/29/39

Office Management

Setting Up an Office Research Department

ACTIVE research for, and use of, business information is one of the cornerstones of business success. Hence, an office research department performs a function that *no* alert business, even if small, can afford to neglect.

If a separate space and the entire time of a competent person can be given to the office research department, so much the better. If there is already a general library or "data department" with a fair degree of use, this may be the basis for a more definite research department, even if the person placed in charge is only a good librarian or file clerk or intelligent secretarial helper devoting full time to the job. If the use or scope of the work would not keep one such person fully occupied, other appropriate fill-out work may be given the head of the research department. This is a "minimum" arrangement for operating such a department, and in a very small business it need add little or nothing to the salary budget.

In somewhat larger businesses it is definitely worth while to employ a full-time research director. One business may feel that the position will be adequately filled by an exceptionally intelligent woman secretary who has been with the firm for a number of years, whereas another business may desire a trained research man or woman who will make the department dynamic and creative.

Regardless of its size, the office research department should take care of, file, index and classify such material as:

1. All reference books, and general books of business use which various departments or executives may have rather haphazardly lying about.
2. All trade and technical periodicals which departments or executives need.
3. All miscellaneous data and information of value which comes to the firm or to executives. This should be classified, filed, cross-referenced.
4. All business data which comes to the firm through membership in trade associations, technical organizations or other bodies.
5. All factual material supplied by either customers of the firm or material sources of the firm, or its advertising agents, engineers, consultants.
6. All internal reports, surveys, compilations, factual data and statistics of management made by or for the firm, which are not routine material used by departments.
7. All charts, diagrams, and special material of value which have served one purpose and which may be useful for another purpose.
8. All clippings, scrap books, historical records, and special files of material which are general records of possible use or interest.
9. Photographs, press releases, publicity material, etc., dealing with the firm in general, if there is no system for keeping such material in other departments.
10. Suggestive material—ideas, memoranda, inside or outside suggestions, projects, data which may be useful at some time. This may include clippings of experience or methods of other firms; competitive policies, plans, etc.; or management suggestions from unrelated firms.

Even a small office research department, one which is not intensively conducting research, can coordinate research material of this kind which ordinarily goes astray or is kept in a dozen different places. Through use of modern vertical files and modern data file accessories, the material can be kept readily available and competently preserved in this department.

If the research department is to be dynamic, its activities should be considerably broadened. A research committee of office executives can suggest minor (or major) internal research, which the head of the research department will carry out.

The research department very often becomes an indispensable arm of service to all departments of the business. As it grows, from time to time it may need to engage outside aid in securing information; it may need to conduct experiments and tests; it may need to advise rather important changes. In any event, research activity will surely pay its way when competently conducted by an alert and progressive concern. BY J. GEORGE FREDERICK. *The Office Economist*, January-February, 1940, p. 5:2.

"I've been keeping something from you, Henry. You got a raise nine weeks ago."

—Reprinted by special permission of *The Saturday Evening Post* © 1939, Curtis Publishing Company

Separation Allowance Plan

GENERAL MOTORS CORPORATION has announced a plan which will provide for the paying of separation allowances to salaried employees who are laid off "for reasons beyond their own control."

According to the plan, which includes 40,000 General Motors workers, an employee is entitled to the benefits provided, after one year's service. The payment will be 25 per cent of one month's pay for each year of employment up to 10 years. For each year's service in excess of 10 years, the payment will be 35 per cent of one month's salary.

The minimum payment will be one-half of a month's pay and maximum six full months' pay.

Employees who are rehired have the privilege of repaying their separation allowances and thereby reestablishing their seniority with respect to the plan.

—*The Retail Executive* 3/13/40

Timekeeping Methods for Office Workers

ALTHOUGH some companies have always made it a practice to record the hours of work and attendance for all employees, both factory and office, it has been more customary to limit this to wage earners. With the enactment of recent legislation fixing standards of wages and hours, however, the need for accurate information on these points for clerical workers also has been widely recognized. Not only are such records important for control of overtime but also for the maintenance of general office efficiency.

In these circumstances, office executives are giving serious consideration to the development of timekeeping records and procedures that are applicable to office operations. To provide information along these lines, the Policyholders Service Bureau has conducted a survey of office timekeeping methods.

Time-Recording Methods: The media used in recording the time of office employees consist of time clocks, hand-entered time cards, and departmental time sheets. The extent to which each medium was found to be in use by the companies included in this survey is shown as follows:

Time clocks	28%
Hand-entered time cards	20%
Departmental time sheets	52%

As a rule, each company restricts its office timekeeping to only one of the foregoing methods.

There appears to be a greater tendency to use time clocks in factory offices than in those of other kinds of business. Many executives not using them declare they are unpopular with office employees, and create a "factory" atmosphere among the rank-and-file personnel.

Hand-entered time cards consist of a separate form for each employee, which is prepared manually by the employee and kept by him at his desk. At the end of the period covered, it is signed by him and turned over to his supervisor.

The departmental time sheet is a record of the time worked by all employees within a work unit during a designated period of time. One advantage of a departmental time sheet is the fact that it "binds" the attendance record of individual employees into a form that is unlikely to get lost or misplaced — thus eliminating much record-checking, reducing the handling and filing cost, and facilitating subsequent reference to time data. The period most frequently covered by departmental time sheets is one week, although they may also be prepared daily or twice a day.

There are two methods of recording the daily hours worked by each employee, viz., the actual insertion on the records of all time data, and the making of entries only in exceptional cases involving a departure from the normal scheduled hours. Many executives question the wisdom of recording original time data by the exception method; the opinion is advanced that

complete data may be required to establish the facts on alleged violations of statutory provisions.

Responsibility for Timekeeping: Company policies relating to timekeeping responsibility are analyzed as follows: (1) Use of the honor system, whereby employees make all timekeeping entries with relatively little supervision, and are placed on their honor to report the time worked; (2) preparation of timekeeping entries by the employee, with, however, a continuous and systematic supervision by department heads or monitors; (3) the assumption of complete responsibility for timekeeping accuracy by the department head. Those who favor the honor system maintain that it improves employee morale, develops a sense of responsibility among the rank and file, and reduces the cost of supervision.

Disposition of Time Records: After the time records have served all immediate purposes, they are filed in some central place, usually in the payroll or the personnel department. As a rule, the original time records are retained for four years, the period now prescribed by the Federal Fair Labor Standards regulations.

Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 32 pp. Gratis.

Transcribers' Bonus Plan

WIDELY KNOWN for its efficient operation is the Keystone Steel and Wire Company's transcribing and typing department. Everyone at Keystone who has occasion to dictate correspondence has a machine at his elbow, and all the resulting volume of correspondence is handled by five transcribers. These operators are equipped with the latest machines, posture chairs, modern, vibration-proof transcriber desks. In an acoustically treated room in the company's new office building, this department handles all reports and statistical typing, telegrams, branch office communication, and correspondence.

The operators work on a bonus system which is based on a cyclometer record of production. Each operator is paid a guaranteed salary, for which she must produce an average of 600 six-inch lines of typing daily. In units of 25 lines above this average, her salary is supplemented by a bonus. Thus, the operator who types an average of 625 lines daily for the month earns a bonus of $1.00. If she types an average of 650 lines daily for the month, her bonus is $2.00—and so on up to an average of 1,150 lines per day, which brings a bonus of $18 for the month. The plan has been widely copied.

—*American Business* 2/40

Productivity in Manufacturing

MANUFACTURING no longer fills its historic role of absorbing labor displaced from farming or other industries. In 59 manufacturing industries recently surveyed by the National Research Project of the WPA, employment was about the same in 1929 as in 1919, although production in 1929 was at least 50 per cent greater. In 1936 the amount produced in the 59 industries was about one-tenth less than in 1929, and the number of man-hours of employment was about one-fourth less. In most of the separate industries, man-hour output increased significantly, both from 1919 to 1929 and from 1929 to 1936. In a large proportion of the industries the amount of wages paid per unit produced fell sharply, notably during the years 1923 to 1929.

—*Monthly Labor Review* 12/39

Personnel

Compensating Overtime by Time Off

FOR businesses where the work load is uneven from week to week, the Fair Labor Standards Act raises important problems in regard to payment for overtime work, such as the following:

1. May overtime be compensated for in time off in a succeeding week?

2. May overtime be anticipated by working an employee undertime in a preceding week?

The answers are as follows:

I. May overtime be compensated by time off in the following week—

1. *If employment is on an hourly basis?*

The answer is that, while the employer is obligated to pay time and a half for all hours in excess of 42 worked in the first week, he may work the employee fewer hours the next week so that the total wages paid for the two weeks will be just twice the wages due for one week of 42 hours. The deficiency in hours in the second week, however, must be 50 per cent greater than the excess in the first week.

2. *If employment is on a weekly basis and the pay period is one week?*

The matter of agreement and custom enters into this question. If there is an understanding with the employee that he is to receive a stipulated weekly wage whether or not the employer requires him to put in the full number of hours, it would not be possible in accordance with such agreement to cut his pay in a week succeeding one in which he worked overtime.

In case there is no agreement or custom requiring a fixed amount to be paid each week, the situation is the same as if the employee were paid on an hourly basis, the hourly rate being computed by dividing the weekly wage by the number of hours in the regular workweek. The bonus must be paid at the end of the first week, and both hours and pay might be reduced correspondingly in the following week.

3. *If employment is on a weekly basis and the pay period is two weeks?*

Overtime in the first week of the pay period may in this case be compensated by time off in the second week provided that there is in fact a regular number of hours in the workweek. For instance, four hours of overtime in the first week is the equivalent of six hours of undertime in the second week.

II. May overtime be anticipated by giving time off in the preceding week—

1. *If employment is on an hourly basis?*

The employer under these circumstances is in a position to cut down on the employee's time and corresponding wage payment by an amount which he estimates will counterbalance the over-

time which must later be worked and paid for. Thus, if two hours of overtime is expected in the second week, the employee may be given three hours off in the first week. The total wage for the two weeks will be twice the regular weekly wage. The employer, however, will have received one fewer hours of work.

2. *If employment is on a weekly basis and the pay period is one week?*

Custom and agreement affect the answer. If the weekly pay is a stipulated sum even though the employer fails to provide the expected amount of work, the amount of pay in the first week may not be cut down.

If there is no agreement regarding a stipulated weekly wage irrespective of a failure to provide work, the employee may be considered to be employed on an hourly basis, in which case the situation is the same as when this basis is expressly agreed upon, the hourly wage being computed by dividing the weekly wage by the number of hours in the regular workweek.

3. *If employment is on a weekly basis and the pay period is two weeks?*

In this situation, overtime in the second week of the period may be anticipated in the first week of the pay period by a compensating amount of undertime, provided that there is in fact a regular number of hours in the workweek.

Wage and Hour Reporter, October 9, 1939, p. 3:2.

The Compa-Ratio

SALARY cost control divides itself into two parts. The first of these, the number of authorized positions, is controlled by the systems division of the controller's office. The second, or the salary grade appropriate to each such authorized position, is controlled by the salary classification set up usually by the personnel department.

There has, however, been a need for some unit of measurement which is universal in its application and which will permit comparison of the level of cost between units, or in the same unit from one period of time to another. To meet this need I propose the "compa-ratio." This unit is the result of comparing actual salaries with standard salaries, the resulting ratio indicating the level of present salaries in comparison with such standards. The unit was conceived independently by Samuel L. H. Burk, of the Atlantic Refining Company, whose company employs the factor comparison method of salary and wage classification. It is not safe to make such cost comparisons against salary standards derived from less accurate methods of salary and wage evaluation.

The following steps illustrate the calculation of the compa-ratio for any given department or division of the business. Salary classification requires a careful study of each position and results in its assignment to the appro-

priate salary grade. Each such grade has maximum and minimum salary limits. For example, in our organization, investment stenographer, Position No. 709, has been assigned to a grade which has a minimum salary of $79 per month and a maximum of $105 per month.

The "standard salary cost" for any position may be defined as the median salary value of that particular salary grade; for example, the mid-point between $79 and $105.

In the factor comparison method of salary classification, all relationships are geometric. For example, the maximum of any grade is found by multiplying the minimum by 1.33. Consequently, the geometric mid-point of a grade is found by multiplying the minimum by the square root of 1.33.

To find the standard salary cost of any department, therefore, it is necessary only to add the minimum salaries authorized for every position in that department and multiply the sum total by the square root of 1.33.

The next step is to add the actual salaries of these same positions and to compare them with the sum of the mid-points. These mid-points we have called "standard cost," or "par," or "bogey." The actual salary cost is compared with this standard or par by dividing par into the actual figure and multiplying by 100.

The compa-ratio is highly effective in indicating salaries that are out of line—abnormally high or low. It can also be used to compare the level of salaries in one department or plant of the business with others. In doing this, since it is a unit based on 100 for standard salary, the comparison is a fair one regardless of the size of the departments involved.

Still another useful comparison may be made between salaries of a unit from one year to another. The method of calculating the compa-ratio makes it independent of the size of the department or the variation in the number of positions. If a given department is increasing in size and has more personnel from one year to the next, the compa-ratio is not necessarily affected, because it is a unit of comparison based on 100 as standard cost. By Edward N. Hay. *Advanced Management*, January, February, March, 1940, p. 9:3.

Foremen Get a Break

THAT disturbance over unionization of foremen which came up like thunder during the Chrysler strike is working out smoothly. Neither CIO nor AFL is interested in organizing the foremen, and management is finding the answers to the dissatisfaction which built the small union in Detroit. After many man-to-man talks with the shop bosses, the manufacturers are putting in new rules to protect the foremen's job tenure, authority, and wage differentials. Most important aid seems to be the setting of definite rules for pay. For example, several companies have quietly adopted a regulation that no foreman shall receive less than a certain percentage above the highest-paid man under his control.

—*Business Week* 2/24/40

Payment During Traveling Time

WHERE employees are required to make trips on company business, what is the employer's responsibility regarding payment for time spent in traveling?

In the case of companies engaged in the production of goods for interstate commerce or in the commerce related thereto, interpretation of the Fair Labor Standards Act of 1938 has made it mandatory that travel time under certain conditions be considered as hours worked. Interpretative Bulletin No. 13, issued on May 3, 1939, by the Administrator, contains the following statement relative to this problem:

> In some cases an employee is required to travel continuously for more than a full working day during which time the employee is not engaged in actual productive work for his employer. He may be required to spend two or three days and nights of continuous travel to reach a place where he is to perform assigned work. In such case, time spent traveling during regular working hours should be considered hours worked. Travel time outside of regular working hours need not ordinarily be considered hours worked.

If an employee's trip extends over Saturday, Sunday or a holiday, he should be considered as working on those days for the number of traveling hours between his established starting and stopping time on other days of the week. In determining the applicability of this latter rule, factors such as the length of time required to reach the place where the assigned work is to be performed, whether the employee is given adequate time for sleeping and relaxation, the time that the employee is required to report for actual productive labor, etc., are very important. *The Conference Board Management Record*, October, 1939, p. 158:2.

Remote Control

THE Sunbeam Electric Manufacturing Company, of Evansville, Indiana, has found the public address system to be a practical and effective means of direct communication between management and employees.

With this system it is possible to reach 2,000 people housed in three factory buildings.

Twenty-five loud-speakers installed in all parts of the factory buildings make it possible for an announcement from the control room to be heard by all workers at their regular work places. In addition daily routine announcements are made and recorded music is played during lunch periods. Occasionally the president of the company or other top executives address the employee body and discuss the general plans of the company, explaining policies and reasons for them in some detail. In these talks complete explanation is given of the reason for the management's decisions and determinations, and the employees have demonstrated a surprising degree of appreciation of these views on the complex problems affecting business.

While Sunbeam uses numerous other means of communication between men and management—e.g., the personnel department, the foremen, plant newspaper, bulletin boards, etc.—it believes that basic ideas and policies that affect the whole organization should be communicated directly by the president or other executives to the working force.

—*N. A. M. News Letter* 1/19/40

Production Management

Problems in Wage Incentive Administration

PREVAILING procedures and developments in connection with the administration of wage incentives, according to an analysis of detailed information furnished by 313 manufacturing companies having wage incentives in effect, are as follows:

1. About 60% of incentive workers in the 313 companies are paid by some form of piece rate or tonnage rate system, about 31% are paid under a premium or bonus plan, and about 9% are paid under measured daywork.

2. Replies received from 293 companies relative to the question of guaranteeing incentive standards indicate that in 186 companies, or 63.5%, the standards are definitely guaranteed for an unlimited period of time so long as a method change does not automatically require cancellation. In 20 companies, or 6.8%, the policy is to guarantee standards for a limited period of time—in 17 companies, 1 year; in 2 companies, 3 years; and in 1 company, 6 months.

3. A general classification of opinions expressed on the question of periodic re-time-study to discover unreported method changes shows that 49.5% of the 313 companies are in favor of the idea as stated in the survey, 30.7% are opposed to it, and 19.8% expressed no opinion.

4. Of 269 companies that reported their policy regarding the payment to workers of make-up allowance for delays that are not the fault of the worker, about 78% calculate the make-up payments on the basis of individual jobs, while 22% take into consideration average earnings for the week in calculating the make-up allowance.

5. Replies from 285 companies regarding the title of the executive to whom the supervisor of time study reports indicate that in 110 companies, or 39%, the supervisor of time study reports to the plant manager, while in 86 companies, or about 30%, he reports to the superintendent. Other titles that were designated frequently were: comptroller, 11 companies; personnel manager, 8 companies; president, 7 companies.

6. Approximately 85% of the companies reported that favorable acceptance of time and motion study by employees is definitely increasing. Only 9% of the companies reported greater opposition and 6% reported no change. One of the reasons given for this favorable trend is the better caliber of time-study engineers employed in industry today.

7. More than half of the time-study engineers employed by 275 companies have had at least two years of education beyond the high-school level, and in 268 companies 69% of their time-study engineers have had at least one year of practical shop experience.

8. In 17 companies, or about one-eighth of the unionized companies, the union participates in the establishment of wage-incentive standards, the degree of participation varying somewhat among the companies.

9. Although a recent Conference Board survey of personnel policy in 2,700 companies in all types of business shows that only 51.7% of them are using incentive plans, a separate analysis of 900 manufacturing companies selected from the 2,700 companies on a basis of their having from 100 to 10,000 employees each and being engaged in a type of manufacturing which offered an even choice of either day-work or incentive systems, showed that 75% have some form of wage-incentive plan.

By E. S. Horning. *Studies in Personnel Policy No. 19*, National Industrial Conference Board, Inc., February, 1940. 24 pp.

Toward Steadier Work

FEBRUARY chalked up big gains in that No. 1 desire of workers—and so of industry—for steadier jobs.

First, Oneida Ltd. (silverware) announced a "security wage savings account" to guarantee as far as possible a minimum of 49 36-hour weeks of pay a year for hourly workers. Employees will contribute (optionally) an extra bonus of 40 hours' pay, plus overtime wages above 44 hours; the company will pay a liberal balance to bring the reserve up to a maximum of 120 hours' pay. When work drops to less than 36 hours a week, the fund will be used to boost pay to the 40-hour level.

Second, Western Electric announced that it had set up an experimental reserve fund of more than a million dollars on which it can draw for wages to be paid employees in the event of emergencies or during periods of depression.

Finally, Albert N. Williams, new president of the Lehigh Valley Railroad, told his men that progress has already been made in a new program to provide 12 months' steady employment a year: In the latest month, shop schedules have been unchanged in spite of a 35 per cent drop in the railroad's business.

—*Forbes* 3/1/40

Employees' Director

THE shareholders of Canada Packers, Limited, met on January 3, 1940, to confirm the appointment to their directorate of George J. P. Ayers, an hourly-paid employee of the Toronto plant. Mr. Ayers was elected by the ballots of his fellow employees in Toronto with the concurrence of employees in the company's other Canadian plants. It is understood that the appointment will be an annual one, and will be held by representatives chosen by the different plants in turn.

The duties of the employees' director are somewhat indefinite, but it is understood that he will have access to all records of the company, confidential or otherwise. He becomes automatically a member of the several employees' committees and thus will serve in various plants as well as within his own plant. At directors' meetings he will represent the point of view of the hourly-paid worker, and it is anticipated that he will contribute useful suggestions for improving the efficiency of the business.

—*Manufacturing and Industrial Engineering* 2/40

Control of Time in Process

AMONG the many problems that the management of every manufacturing establishment must face is that of maintaining a reasonably high turnover of materials in process. The higher the turnover ratio that can be maintained, the lower is the investment in inventory-in-process. And in addition to the reduction in investment, various other operating economies are brought about when turnover is maintained at a high level.

A less common approach to the problem of achieving high turnover is to place the emphasis not on the turnover but on the *time* it takes materials to move through the factory. When turnover is considered as the reverse of the time that materials are in process, we see more clearly that shortening the manufacturing time will permit reductions in finished goods inventories and better customer service.

A study was made recently by the author in which the relationship between processing time and investment in inventory-in-process in five leading tire companies was investigated.

Among the conditions discovered were two which were particularly enlightening. First, practically all the factory float, the total time spent by materials in the factory, in this highly developed industry was caused by waiting time. And second, there was almost no agreement in the floats of the various companies. The actual processing time in the company with the lowest float amounted to only 7 per cent of the total time materials were in the factory. The goods were being transported 1 per cent of the time, while dead-time or waiting time was responsible for 92 per cent of the total. In the other four companies, however, dead-time comprised from 96 to over 98 per cent of the time materials were in the factory.

There was also a lack of uniformity in the total factory float. In one company the material was in the factory for over 14 days. It took another company over 11 days to make a tire. In contrast with these, one company manufactured completed tires from raw materials in an average of two and one-third days.

As would be expected, the differences in the length of time it takes to turn out tires are reflected in the investments in inventory-in-process of these five companies. The larger the float, the larger is the number of tires that must be carried in process. If the company with the largest float reduced it to that of the best company, it is estimated that it would release over $400,000 of capital from investment in goods in process.

The control of float is largely a question of controlling the management factors. Certain basic and fundamental laws exist which may be used as guides in directing this control. These fundamental laws, which appear to be seven in number, are as follows:

1. *The law of float and investment.* At any level of production, the investment in inventory-in-process is

closely related to the float. Changes in float cause similar changes in investment.

2. *The law of even production.*
   The lowest investment in inventory-in-process is attained when production is carried on evenly and continuously.
3. *The law of factory float and finished goods.*
   During periods when the finished goods inventory is maintained at a low level, changes in factory float cause similar changes in the finished goods inventory float, and in the investment in the finished goods inventory.
4. *The law of economy of float.*
   The amount that can be spent on expenses to reduce float is never less than the income on the released funds, and if capital expenditures are also required, the released money itself may be utilized.
5. *The law of the length of float.*
   The longer the float in any factory, the more probable it is that it can be materially reduced, thereby releasing capital.
6. *The law of dead-time proportion.*
   The greater the proportion of float that is made up of dead-time, the greater is the possibility of reducing float.
7. *The law of mass production.*
   In large-scale production, the float tends to approach the actual operating time as a limit.

If management is to control float closely, one of the most important needs is some sort of regular report which will give warning when float increases. Two methods of getting this information are suggested. First, the accounting department could supply management with regular reports covering the extent of the float in each production department. The float can be accurately computed by dividing the total of the materials costs of the inventory-in-process in any given department by the materials costs of the average daily deliveries of goods from the department. From these reports management could tell readily if delays in the movement of materials were taking place and could immediately isolate the trouble by departments.

Another method, somewhat longer, should be used less frequently yet at regular intervals. This method is to take a time study with a stop watch of the movement of materials throughout the factory. As a result of the use of this method in making the study in the automobile tire companies, it was discovered that from 92 to 98 per cent of the total float was caused by waiting time. Further investigation into the specific instances where waiting occurred showed that often there was no apparent reason why the waiting time could not have been eliminated. By Franklin G. Moore. *Advanced Management*, January, February, March, 1940, p. 11:5.

AMA PRODUCTION CONFERENCE

The Spring Production Conference of the American Management Association will be held on Wednesday and Thursday, May 22 and 23, in New York City.

Marketing Management

Are Advertising Allowances on the Way Out?

IS there a chance that the millions of dollars in advertising, which have been diverted in the last decade to department and other retail stores through the advertising allowance procedure, may be swung back to straight national advertising?

Apparently, there is. It will not be an overnight development, but the first trickles in a wave of revulsion against the practice of advertising allowances are seeping through. Every agency, publisher, advertiser and store will be affected.

Here are some of the straws that would seem to indicate that advertising allowances have reached their peak:

1. The millinery and blouse industries, unimportant in themselves as national advertisers but heavy contributors to the advertising coffers of retail stores, having flatly announced the abandonment of advertising allowances within the last two months;

2. The American Press Association in a recent poll of publishers of weekly newspapers found that 88 per cent of them oppose manufacturers' campaigns through dealers, both because they have difficulty collecting the dealers' share of the advertising and because they do not think that local rates should be given on national products;

3. Because they lose control of the advertising and because they are beginning to believe they do not get their money's worth, many manufacturers in a variety of lines are revolting against advertising allowances, although they must proceed cagily in order not to create antagonism among the various dealers;

4. Large metropolitan newspapers are beginning a quiet campaign against allowances and cooperative dealer drives, because in recent years they have seen their revenue, if not their linage, reduced by the switch from copy at national to local rates. One large newspaper has estimated that its revenue has been reduced 20 per cent in 10 years by the growth of advertising allowances.

Then, there is the fact that nobody, outside of the few stores involved, likes the racketeering element involved. The practice is not so prevalent as it once was, but formerly several stores or chains would sign a newspaper contract at the beginning of the year on the basis of, say, 25,000 or 50,000 lines. Through the year, manufacturers giving allowances would be billed on this contract basis. By the end of the year, however, the retailer might have used 100,000 or 150,000 lines and would thus get a rebate from the newspaper. This rebate would be pocketed entirely by the store; suppliers who helped make the 100,000 lines possible would get nothing.

How much is spent in advertising allowances a year? An interesting question, but practically impossible to

answer. In the first place, nobody knows the individual arrangement between makers and stores. Some manufacturers pay half the cost of a campaign, or possibly 60 per cent; others allocate allowances on the basis of units purchased; some give retailers a percentage of the total purchase.

Certain industries, of course, have found cooperative campaigns, intelligently conducted, the best way of selling goods. In the men's clothing industry, for instance, in which there are but a handful of really national advertisers despite the huge volume of the field, cooperative campaigns appear to be the solution. In corsets, women's apparel, cosmetics, radios, electrical appliances, advertising allowances have always been with us and probably will continue, though possibly to a more limited extent.

Manufacturers, who are anxious to discard advertising allowances, have suddenly rediscovered the Robinson-Patman Act, which has been in effect since June 19, 1936, and are using it as an excuse to abandon allowances. This may be the most effective weapon that has yet appeared. By John F. Barnes. *Advertising & Selling*, March, 1940, p. 17:3.

Analysis of Customer Complaints

To provide a basis for control of the complaint problem in retail stores, William J. Pilat, professor of retailing at the University of Pittsburgh, recently completed an analysis of 811,187 customer complaints in 21 different department stores.

The analysis, entitled "The Customer Complaint Calendar," is published in calendar form in order to make it possible to show not only annual summaries and trends but specific facts about each month of the year.

One of the most formidable facts unearthed by "The Customer Complaint Calendar" is that the average customer complaint costs department stores approximately $1 in operating expense and markdowns, with most of this expense concealed in otherwise defined classifications.

Other outstanding conclusions presented in the calendar on some of the major questions raised about customer complaints include the following:

1. There are about 52 million complaints a year in all department, dry goods, and general merchandise stores in the country, or about one complaint for every 33⅓ transactions.

2. Complaints, as well as resultant returns, are mostly due to shortcomings in merchandise and the services of department stores. The customer is justified in the vast majority of cases.

3. Among the major causes of complaints are: overselling advertised items; shoddy, incorrectly sized, poor quality or unsatisfactory merchandise; salary expense reduction beyond the point of efficient working force and supervision; plain carelessness and in-

adequate systems, equipment and materials.

4. Not all complaints result in returns, but probably more than half of them do. Complaint returns are probably the kind of returns that stores can really eliminate because, for the most part, the stores cause them.

5. No store reports all its complaints, no two stores have standardized customer complaint policies that would allow fair comparison, and few keep an authentic record of what the customer originally complained about.

6. From the customer's point of view, over a year's time 100 typical complaints break down into the following kinds and quantities: 36 non-deliveries, 15 poor quality or unsatisfactory, 15 claims for credit or refund, 10 damage, 10 wrong merchandise, seven poor service, and seven short.

7. From the store's point of view, 1,000 typical complaints involve the following adjustment actions in the approximate quantities indicated: 202 deliveries made later than customer expected; 194 credits or refunds; 152 exchanges or duplications; 92 drivers' calls, man sent, etc.; 74 new promises of delivery; 65 locating delayed order and sending out for delivery; 42 alterations or repairs; 179 miscellaneous allowances, wrong addresses, corrected cancellations, no adjustments.

Housefurnishings was found to be the largest complaint-producing department.

December was confirmed as the largest complaint-producing month, contributing 15.9 per cent of the average store's complaint volume.

The Retail Executive, February 7, 1940, p. 4:2.

Parking Projects

SO many retailers are finding it necessary to furnish nearby parking facilities for patrons that the National Retail Dry Goods Association recently conducted a study of the situation.

Most retailers, this investigation disclosed, believe that at least a part of their sales are directly influenced by the ease with which car-driving customers can park near the store. More than half of the stores studied offer some kind of parking accommodations.

Cooperative parking projects, where merchants make a joint effort to attract the motorist, have in most cases cut parking costs.

Cost to the merchant often runs as low as 3.6 cents per car; the median cost is about 12.6 cents per car. Total cost of parking in proportion to net sales is often as low as 0.02 per cent, with a median figure of 0.11 per cent.

—*Forbes* 11/1/39

▶ WHEN AN EMPLOYEE of the Libbey-Owens-Ford Glass Company is late for work and is docked, the money goes into a fund which is used for extending relief in cases of distress. The distribution of this fund is under the control of the president of the workers' organization, the vice president of the company, and the director of employee relations.

—*American Business* 3/40

Experience with Selective Selling

SEVERAL years ago the International Salt Company, Inc., of Scranton, Pa., began research on its sales territories and sales methods with the thought that efficiency might be improved and costs lowered. Step by step, a definite marketing policy of rigid sales control has been gradually evolved.

Answers were sought to three important questions:

1. *Are present sales in the area sufficient to justify present sales costs?*
2. *Is there enough potential business in the area to justify present sales expense as an investment in developing future business?*
3. *Is the salesman covering his territory with proper frequency and in an efficient manner?*

The first step was to reestablish sales territories upon the basis of the local retail trading area, instead of upon a basis of geographical boundaries. The trading area method of sales control is completely flexible, adaptable to any business, because trading areas can be grouped into sales territories of any size for a definite improvement in efficiency over arbitrary limits of county and state lines.

Complete data as to population, and sales volume at retail and wholesale, was worked out for each buying center in the trading area, for each trading area, and for each state. A buying power index, determined by 21 basic factors, is applied to each buying center, in relation to the buying power of the entire United States. This index is supplemented by an accurate record of industrial consumers by trading areas.

By rearranging sales territories on this concept, the company has been able to work out marketing maps for every state. The method makes it possible to break down potential and actual sales in each man's territory, and to spot weaknesses in sales as compared with the potential.

After the adjustment of sales territories, the company set up ratios of performance by salesmen, in proportion to the total business available in each territory. This also provided an equitable basis for comparing performance.

Although many combinations, consolidations and redivisions of sales territories were made in order to equalize sales opportunity and thus tend to equalize the ratio of sales expense to actual sales, it was discovered that able salesmen were making relatively poor showings because of inefficient methods of covering the territory.

This led to a routing study by which a permanent guide to proper coverage was set up. Several basic principles were established—some of them so simple and obvious that they had previously been taken for granted. Among these are:

1. A salesman should live in or very near to the best market in his territory.
2. A salesman must plan his day's work so that he will not double back over territory once covered.
3. A salesman's first call should be near his starting point, and his last call should be near the point where he is to pass the night.

This program has not only promoted greater efficiency in the company's sales force, but it has also resulted in a policy of selective selling—selective in the broad sense because of concentration on the better markets and, more specifically, upon the better prospects in each territory.

By John L. Ryon. *Executives Service Bulletin*, Metropolitan Life Insurance Company, February, 1940, p. 7:2.

Plague Developments

WITH the recent introduction of "Nervous B. O." as an ill to which the American flesh may become heir, a broad new avenue seems to have been opened up in the clinical technique of advertising. The new disorder is really a special manifestation of a basic, generalized plague which Life Buoy soap advertising has been spreading for some years—namely, just plain "B. O.," or Body Odor. It probably won't be long before advertisers in other fields of healing will perceive the potentialities in a similar course of specialized ramification.

All told, the total of new advertising-launched plagues to which the populace has become subject in the last ten years now exceeds three hundred. Recent months have brought forward such maladies as Teeter Totter Vitality, whose ravages may be repaired with applications of Horlick's Malted Milk, and Shopper's Fatigue, which is said to yield to repeated doses of Baby Ruth candy bars. Ironing Day Fag is subject to conquest by the Armstrong Porta-Electric Ironer, while Ironing Fatigue may be arrested with a Proctor electric iron. Knox Gelatine is being prescribed for Stay-Home-Itis, which, of course, comes of being tired. The sufferer from Jaw Fatigue may seize upon the beneficent properties of a Purex pipe.

Related indirectly to the fatigue field is a severe epidemic of Bed-Time Bow Legs, now being fostered by the manufacturers of Glover pajamas, with that product prescribed as a sure route to blessed relief.

There has been, in addition, considerable concentrated development in the nose sector. The principal foci of infection are Big City Nose and Clothespin Nose, developed and prescribed for, respectively, by the makers of the Penetro inhaler and Luden's cough drops.

The insurance companies, it appears, were well advised when, several years ago, they put through increases on policies containing a disability clause.

—*Printers' Ink* 3/8/40

Leaders in Advertising

NINETY-SEVEN industries spent over $100,000 each in radio advertising in 1939; their aggregate expenditures were $79,950,411, as compared with $64,514,148 in 1938. Heading the list of 1939 radio advertising purchasers was Procter and Gamble Company, with $8,769,135, followed by General Foods Corporation, with $5,269,567, and Lever Brothers Company, with $3,392,672. In the magazine field, 277 separate industries bought more than $100,000 worth of advertising in 1939. The total spent by this group was $112,372,438, as compared with $100,128,776 in 1938 and $112,699,997 in 1937. The two top purchasers of magazine advertising were General Motors Corporation, $6,010,681, and Chrysler Corporation, $3,138,495. Procter and Gamble Company was third, with $2,460,197.

—*Advertising Age* 1/22/40

Financial Management

Overhead Costs in Inventories

IN a recent questionnaire study of "Finished Goods Inventory Practice" by the Research Department of N.A.C.A., some information on current practice in the treatment of inventory overhead was obtained.

Let us consider underapplied overhead first. Of 210 companies whose practices were reported, 134 treated unabsorbed burden as a charge to cost of goods sold, 58 as a charge to profit and loss, eight as an amount to be prorated between cost of goods sold and inventories, and 10 as an amount to be deferred or charged against overabsorbed balances of past years.

Turning now to overabsorbed balances, with 208 companies reporting, we find 124 crediting cost of goods sold for the overabsorbed balance, 56 crediting profit and loss, 19 prorating the overabsorbed balance between cost of sales and inventories, and nine treating the overabsorbed amount as a reserve against which future underabsorption may be charged.

Apparently very few companies are swayed by the argument that the application of overhead on the basis of normal capacity rates results in the underabsorbed balances of one period being offset by overabsorption in other periods, since only 10 companies defer unabsorbed overhead and only nine companies treat an overabsorbed balance as a reserve. Conditions change too rapidly and accurate estimating is too difficult to make this method of handling the balances practical.

As previously reported, many companies base burden rates on expected production for the period for which the burden rates apply. Where this is done, any debit or credit balance at the end of the year represents an error in either the estimated volume of production or the estimated total overhead expenses. Since the object is to apply all overhead of the period to the production of the period, any balance logically represents an adjustment of cost of goods sold and goods-in-process and finished goods inventories. Yet only eight companies prorate unabsorbed burden between cost of goods sold and inventories, while 19 companies make the proration when the burden is overabsorbed.

The vast majority of companies charge or credit burden balances to either profit and loss or cost of goods sold. Those charging or crediting profit and loss apparently do so in the theory that the under- or over-absorbed balance results from variations in the volume of business which are not under the control of the manufacturing division of the business, and the resulting balances, therefore, are not manufacturing costs. But the largest group charges or credits cost of goods sold, apparently on the theory that,

while the overhead should be applied to products on a normal capacity basis for inventory valuation and pricing purposes, any resulting balance is still a cost of the manufacturing department and therefore should be included in cost of goods sold.

Another pertinent problem is the disposition of variances from standard costs in companies operating under ideal or current standard cost systems. It is argued by some that while standard costs are proper and valuable for control purposes, they do not represent a proper basis for inventory valuation. However, of 131 companies using ideal standard costs and cooperating in the recent N.A.C.A. study of finished goods inventory practice, only two made any reference to prorating the variances between inventories and cost of goods sold. Of the others, 70 transfer the variances to cost of goods sold, 22 transfer them to profit and loss, and the other 39 either did not reply to this question or reported that their practices varied.

The surprising features of these summaries of practice are two: first, the general acceptance of standard costs for inventory valuation purposes as evidenced by the fact that of 131 companies only two report that inventories are adjusted for variations from standard costs; and second, the relatively small number of companies which adjust inventories when burden is overabsorbed.

By Raymond P. Marple. *The New York Certified Public Accountant*, February, 1940, p. 253:6.

Selling Your Firm to the Stockholders

STOCKHOLDERS today are receiving a liberal education in finance, industrial production and business management, along with sociology and economics, through the periodic reports and supplemental literature issued by their companies.

Cultivation of stockholder good-will starts with a letter of greeting to the new investor, continues through descriptive booklets and dividend enclosures, supplementing comprehensive annual reports, and often keeps its pace right up to the letter of regret which is sent to the retiring stockholder. Throughout the program a considerable variety of mediums is used, and a wide range of subjects, ideas and methods is covered.

This study is based on the methods of 22 corporations having long lists of stockholders and otherwise providing a representative cross-section of business types and management methods.

Greeting letters are sent to new stockholders by most companies, although their use is not so general as enclosures with dividend checks. (Fourteen of the 22 companies mail greeting letters; 17 use dividend enclosures.)

The physical form of greeting let-

ters is somewhat more varied than their substance. Most companies use a processed filled-in letter or one with the salutation, "To Our New Stockholder." A few send individually typed letters; the other extreme is a printed form. Most letters are signed by the chairman of the board or president.

The two subjects most frequently treated in these letters, other than a word of welcome, are an invitation to make suggestions and a solicitation of the stockholder's patronage and endorsement.

Only a few companies enclose publicity material with their greeting letters; many send descriptive literature under separate cover; others make various items available on request.

The principal forms in which information is published for stockholders are: sales circulars, fact-books, institutional and educational booklets, opinion-forming literature, house magazines, dividend enclosures, annual reports. This is a somewhat overlapping classification, dividend enclosures and annual reports often serving the same purposes as other types of mailings.

When it comes to dividend enclosures, the companies really "give out." These publicity mediums are uniformly newsy, instructive, interesting. Many of them are fine examples of illustration, photography, layout, engraving and printing.

The most popular form for dividend enclosures is 8, 12 or 16 pages, page size about 7 x 8, with a vertical fold to fit a check-size envelope. A four-page circular, page size 3½ x 8, is also frequently used. Among 17 companies, 13 use illustrations and 11 use color.

Other than standard and routine matters naturally associated with annual reports, the subjects most frequently discussed in the yearly reports are employment and payrolls, employee benefits, and bonus and profit-sharing plans. Almost as frequently discussed are the subjects of taxes and the number of stockholders where net earnings are thus affected. Research and engineering advances are given about equal attention with expenditures for plant. Historical statistics covering earnings, dividends, sales, etc., appear in nearly half of the reports; an equal number show comparative as well as current balance-sheet and earnings figures. The tender subject of executive compensation is seldom touched on. Nine of the 22 companies use color, and five of them illustrate their annual reports.

One of the most interesting and most effective features of these good-will programs is the letter of regret which is sent to the retiring stockholder. Some of these are confined to a courteous expression of regret over losing a business partner; others solicitously ask for criticisms of the management which may have had something to do with the sales of stock; all are worded with extreme tact. By Challiss Gore. *Advertising & Selling*, March, 1940, p. 68:10.

Insurance

Physical Depreciation and Insurable Values

COMPUTATION of depreciation is the key to every appraisal of insurable values. Yet, more often than not, it is handled arbitrarily as a necessary nuisance. Valuators will busy themselves with building cost figures and arrive at a reproduction cost adequately reflecting this basic factor, and then in hit-or-miss fashion grab a rate of accrued depreciation from some table whose authors would shudder could they know how their data was being used.

The result of such handling of the factor of depreciation is that an otherwise accurately prepared appraisal becomes at least seriously questionable, and possibly worthless, because the entire valuation can be discredited by showing the fallacy in the determination of the depreciation rate.

Depreciation concerns the lessening in value caused by the physical deterioration, decay, and wear and tear on the parts of a building. Age alone is not a reliable indicator of depreciation. One 25-year-old residence may have been kept in excellent repair; another may have been allowed to run down to the point of collapse. To make a flat deduction of 2 or 3 per cent depreciation per annum for each year of age is therefore decidedly incorrect. Still, depreciation rates are thus being computed quite widely.

The very complexity of arriving at a safe and true reflection of the depreciation factor is undoubtedly why the problem is so generally short-circuited by resort to straight-line computations. This latter method simply divides the expected life of a building, or a piece of machinery, into 100 per cent. For example, a frame residence is regarded as having an average life, under normal circumstances, of 33 years. Divided into 100 per cent, this indicates 3 per cent depreciation per year. Thirty per cent for a 10-year-old house and 60 per cent for one 20 years old!—and so on. Straight-line depreciation tables do not reflect credits for maintenance, or the fact that different parts deteriorate unevenly.

The one correct way to determine physical depreciation is to treat each part of a building separately. Brass or copper piping is good for the life of the building. It takes no depreciation. Iron cold-water pipes depreciate about 3⅓ per cent per year; hot-water pipes take a different rate. Heating boilers depreciate about 5 per cent; lighting fixtures, about 7 per cent; awnings, about 20 per cent. And so it goes on through radiators, plumbing fixtures, built-in equipment, plaster, lumber, paint, roofing, concrete, wiring, wallpaper, etc. Each has a basic rate which is subject to decrease or increase reflecting repairs, maintenance, and other factors. The only sure way to show depreciation is to estimate each com-

ponent part and add it up—then deduct from the estimated reproduction cost new. Any other method could easily lead to serious consequences in event of loss and, indeed, frequently has led to such trouble. BY FORD H. DOW. *The Insurance Broker-Age*, November, 1939, p. 10:2.

As the Buyer Views the Agent

THE insurance buyer's interest may be briefly summarized as including, among other points, better protection, a higher grade of service, and lower costs.

The time has long since passed when an insurance agent could sell only those common forms of policies that most everyone buys and consider that his day's work was done. Such a practice leaves the assured unprotected from the remote hazard, and only by good luck will he avert disaster. An insurance agent, to be worthy of the name, should be an expert analyst of his client's business or individual problem and be able to discuss with intelligence the possibilities of loss which are insurable but not covered. If the analysis discloses a peril for which insurance protection is not readily available, it is part of his responsibility to seek an underwriter who will assume the risk for a reasonable premium.

The subject of cost has probably been cussed and discussed more than any other. Most premiums are predicated on an expense factor of 40 to 50 per cent, which from the buyer's point of view means that the return from the investment will vary from 50 to 60 per cent. If the services purchased with the 40 or 50 per cent expense loading factor are worth while, it is still a good investment; but if there are items in that high expense factor which in the opinion of the buyer are unnecessary—that is, they do not tend to reduce the possibility of loss or contribute anything toward the soundness of the indemnity—then it is only natural for the man or the company paying a big premium to explore other fields to produce the same results.

To illustrate this point, Workmen's Compensation will be considered. It is rather generally accepted that the compensation insurance premium dollar is 40 per cent expense, and of this expense item about 44 per cent is commission, or the agent's interest. The employer has been told that he *must* buy this insurance (though in some states this is optional if certain rigid requirements on self-insurance are met). In such circumstances, the employer naturally feels that some equally specific law should provide that his insurance will be available to him at minimum cost. Hence the objection of the large buyer to the payment of 17½ per cent of his premium dollar solely for the purpose of having someone representing an insurance company prepare a simple document which contains the agree-

ment between the insurer and the insured.

On a $20,000 compensation premium, claims on the average will total $12,000. The buyer's obvious question is, "What do I get for the remaining $8,000?" He will immediately question the $1,600 which he is going to contribute toward the expense of operating an insurance company home office in some distant city. He also questions the $1,500 classified as "Claims Expense," and it occurs to him that he can secure a considerable amount of legal talent for this amount of money. The prudent buyer may wonder, too, whether the expenses of auditing and engineering service are not exorbitant.

In a case such as this, if the employer should embark upon a self-insurance program his claims would probably develop according to orthodox principles; he could pay his $12,000 in losses and have $8,000 to pay for service and for such mistakes as might be made.

Many large employers would prefer Workmen's Compensation Insurance to self-insurance, and a few years ago many of the larger risks hailed the retrospective rating plan as a commendable attempt to adjust compensation costs to fit the risk. It was a tremendous disappointment to the large buyers when various agency associations resisted retrospective rating on the ground that it reduced their commission.

Countersigning commissions represent another practice that has always irritated insurance buyers. There is something radically wrong in the whole insurance structure when an agent who contributes absolutely nothing receives substantial fees for simply affixing his signature to insurance policies. The agent who accepts a countersigning fee is in the paradoxical situation of having done nothing to acquire the insurance and of being unable to do anything to hold the business. Excerpted from an address by W. A. Sullivan before the Missouri Association of Insurance Agents. 23 pp.

AMA INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held on Monday and Tuesday, May 6 and 7, at the Hotel Traymore, Atlantic City, New Jersey.

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

More Private Offices?

Question: What is the trend in the use of private offices?

Answer: More private offices rather than fewer is the trend shown by a survey of 91 concerns in different types of industry located throughout the country.

Replies from representative office managers questioned by the Office Management Division of the American Management Association indicate that use of private offices is believed to improve the efficiency of executives, to safeguard them from distractions, interruptions and noise, and to accommodate work of a confidential or semi-confidential nature. In quite a sizable group, private offices are provided to create a favorable customer impression, the answers showed. Manufacturing, financial, insurance, chain store, public utility and extractive concerns were among those queried.

The survey results contradict the fairly general impression that during the past 10 or 15 years there has been a trend away from the private office in order to reduce costs and improve office efficiency.

Only in banking is there really a trend toward putting executives out in the open, the reports revealed. In this field the characteristic comment was, "In our business we wish to have most of our officers easily accessible to the public."

Twenty-two concerns report increasing the number of private offices within the last five years as a matter of principle rather than because of changes in volume of business. Only nine observe the opposite policy. Persons engaged in senior executive policy work, operating executive work, direction of field forces, legal work and interviewing, with only three exceptions, all have private offices. Positions with private offices in most concerns are: president, vice president, assistant vice president, department head, assistant department head, interviewer or buyer, etc., and private secretary to an executive. Sixty-four offices have conference rooms available for the use of executives not provided with private offices, whereas 18 do not.

An interesting feature of the answers was the fact that certain companies who were planning to move expressed a resolve to increase the number of

private offices in their new quarters. Others said that if they were going to change location they would certainly not decrease the number of private offices.

The situation is evidently one which has been given serious thought by office managers, and the decision to utilize private offices is well considered.

NOTE: *The complete report of this survey on the use of private offices is to be printed by the American Management Association. Copies will go automatically to those companies which contributed to the office practice surveys and to official representatives of company members.*

Salesmen's Saturdays

Question: Do national sales organizations require their representatives to make calls or do other work on Saturday? Are general and branch offices of such companies open on Saturday?

Answer: All salesmen were reported to be on a five and one-half day week in a small sampling of national sales organizations for various lines of industry. In the case of some salary-plus-commission men, the Saturday work was voluntary, but was always done.

Considerable variation was found in the kind of work performed on Saturday.

One sales manager reported that his men occasionally make a call on Saturday morning, but only to keep a definite appointment. They find that otherwise it is not possible to see purchasing agents at that time, he said.

Salesmen of each district come into the headquarters city and cover the trade there on Saturday morning, another company reported. This arrangement is made so that the field force can have the week end at home.

In several cases salesmen who call on retailers use Saturday morning for display and demonstration work in the stores.

Saturday time is used for writing reports, doing other office work, or holding luncheon meetings by several of the groups of salary and commission salesmen who were reported as voluntarily working the half day.

Practice is more varied with regard to home and branch office hours of the sales organizations questioned. The survey showed half the companies on a five-day week during the entire year, with the exception of salesmen. The others reported a five-day week for the three summer months, and for a part of their organizations during the entire year—also with the exception of the sales force.

In one case, the headquarters office was reported on a five-day week throughout the year, while branches complied with local custom, so that in some cities this business had the five-day week and in others the five and one-half.

Trucking Cost Indices

Question: What cost indices are used to measure the operating efficiency of truck fleets? What is a practical method of obtaining details necessary for cost information when each vehicle makes numerous stops and deliveries daily?

Answer: A separate year's record for each truck in the fleet is one recommended method of cost accounting to check operating efficiency.

Daily records are kept of: work done, number of miles run, number of stops, number of trips, weight or number of units handled, gasoline (gallons and cost), oil (quarts and cost), cost of tires and tubes, repairs to chassis and body, repairs because of accident, wages of driver and helper, general expense to be prorated. Each month the recapitulation is entered on a summary blank, and totals for the year are eventually available.

Records for vehicle cost originate in the garage. From data furnished on material purchased and labor paid for, the accounting department keeps the dollar-and-cents records. Supplies are given out from the garage stockroom in accordance with requisitions carrying a vehicle number, which makes it possible to allocate the cost readily. Items such as waste, cleaning materials, cotter pins, etc., are lumped into general garage overhead.

Measurement of efficiency can be made from these records, but the unit chosen as a basis for this measurement may vary according to circumstances. For example, where start-and-stop operation is important, "service day cost" may be used, while an over-the-road service would prefer to use "cost per mile." Most concerns also wish a figure for the unit cost of the article moved; e.g., petroleum producers want to know cost per gallon, inasmuch as pricing is on that basis, and they wish to add the unit delivery expense to other unit costs.

When comparing records of individual trucks, the type, use, and area traveled are taken into consideration.

Different cost figures are compiled by different industries. In low mileage delivery industries such as dairies, bakeries and laundries, the figure per mile is seldom used. Cost per day is a better index of efficiency as there can be a fluctuation of from nine to 25 miles a day on the same amount of gasoline. Idling time of engines might be about as great as running time.

Concerns of this kind frequently operate in terms of cost per route. To get a figure for the cost of delivering various commodities, suitable indices are used. The bakery trade is apt to talk of cost per dollar's worth of business. The bulk milk industry deals with carrying expense in terms of 100 pounds or cases, seldom of gallons. Retail milk delivery uses "points," and determines the value of a route on the basis of a "point" being equal to a certain value unit.

A form for cost-keeping on truck operation has been worked out by the White Motor Company as a contribution to management efficiency in this field. This form may be ordered from the Doyle and Waltz Printing Company, Lakeside Avenue and West Third Street, Cleveland, Ohio.

Mailing List Duplications

Question: How can duplications in mailing lists arising when customers move from one location to another be eliminated?

Answer: Several routines can be set up to reduce the amount of mailing list duplication, although some addresses will probably evade all efforts at checkup:

1. On all printed material sent to established accounts, a paragraph in a prominent place may request that the company be advised of changes of address.
2. Where names are identical and addresses different, a double self-mailing postcard may be sent to the new address inquiring whether this is the same person who purchased from the old address.
3. Duplications may be checked against old addresses through the Post Office. This costs 60 cents per hour for the mail carriers' time.
4. In cash sales the clerk can inquire whether the customer has had an account at the address on record.

"Dear Editor"

Question: Should an employee magazine run a Letters to the Editor column?

Answer: According to the few who use such a column, "once it gets under way it provides an outlet whereby employees can say what they think about almost anything they please, whether they are for or against, and whether or not they step on company or management toes."

This response was received in a survey made by the American Association of Industrial Editors. The answers indicated, however, that there is not a very frequent use of this type of column. The survey summary was published in the *Editor's Notebook,* January, 1940.

One editor using a Letters to the Editor column asserted: "That such letters are not always congratulatory is unimportant. The important thing is that the employee was constrained to write something concerning his company. Correction of an attitude cannot be accomplished unless it finds expression."

▶ One typewriter concern in the United States turns out machines that write in eighty-seven languages. . . . Another variety of typewriter, used by musicians and composers, types the staff, ruled lines and notes.

—*Fact Digest*

Survey of Books for Executives

How to Train Supervisors. By R. O. Beckman. Harper & Brothers, New York, 1940. 305 pages. $3.00.

Conference leading might be defined as the art of stimulating a group of people to create cooperatively a thought pattern effective in the solution of a common problem. Drawing generously upon his own rich experience, Mr. Beckman has attempted to define the fundamentals of that art and to apply the principles to the field of supervisory training. In the process he has produced a book that should be of interest to many types of readers. The executive who is following an existing program will find a pattern for comparison. The superintendent who has been given unfamiliar conference leader responsibility will find a wealth of suggestion. The representative of a company that has neither a training staff nor training experience will find detailed outlines that might well serve as the basis of the first year's program. The experienced conference leader will find his thinking challenged or confirmed by a clear analysis of methods and techniques. Anyone who has supervisory responsibility will find that the discussion outlines dealing with the key problems of supervision are as stimulating in print as they are intended to be in the conference room.

The book has a legitimate claim to such a variety of interests because the author has combined two distinct types of material. The first 98 pages form a manual of procedure in which Mr. Beckman has summarized the philosophy of personnel development through determinate discussion and then dealt specifically with techniques and methods. With a conciseness and clarity that is in itself a demonstration of his doctrine, the author outlines effective methods of stimulating profitable discussion, controlling group thinking, developing wall charts, preparing a meeting, evaluating results, and administering a program.

The remaining two hundred pages are given over to 32 key subjects that cover the whole range of supervisory responsibilities, placing particular emphasis upon the personnel problems. In each case the purpose of the discussion is summarized, the prefatory material suggested, and the discussion plan outlined in detail. The author, throughout, stresses the value of wall charts to record and guide the discussion, and for each subject outline he has developed typical charts appropriate in form and content to the material indicated in the discussion plan. Of

dual interest to anyone in the field of personnel development are the six outlines designed to train the supervisor how to train employees.

Mr. Beckman would unquestionably be the first to criticize the use of the outlines *in toto* without adaptation to the specific company situations. He has defined a method and illustrated its use by demonstrating its application to typical problems. His interest is in seeing the method more widely used rather than in seeing the illustrative outlines copied. The fact remains, however, that the material carries a wealth of stimulating suggestions, making the book as valuable to any supervisor as to the man responsible for conference leadership.

Reviewed by Martin S. Firth, National Industrial Conference Board, Inc.

Wage Differentials: ***A Study of Wage Rates in Philadelphia Metal Plants.*** By C. Canby Balderston. Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, 1939. 39 pages. $1.00.

Despite the large amount of experience with financial incentives, one question concerning their use has been raised frequently by both workers and executives and left unanswered: How much more do workers paid on an incentive basis earn than those paid on a time basis for work of the same difficulty? Closely related to this question is another: How is the relationship of incentive to daywork earnings affected by the skill required in an occupation?

Job analysis and evaluation have been developed during the past two decades to the point where in many progressive companies hourly rates and salaries can be systematically set, because the relative diffculty and responsibility of each occupation have been appraised. The methods of appraisal, however refined, must rely upon the judgment of individuals who are acquainted with the work rather than upon methods of precise measurement. The question of how rates or earnings in an individual company compare with those in the market is also often unanswered for lack of an appropriate "yardstick" representing the usual market rate.

This monograph supplies an answer to these and other questions that are of major importance in wage administration. A detailed analysis was made of the wage rates in 31 Philadelphia companies for 136 hourly-paid occupations. The differentials between the rates for each occupation in a company and its least skilled occupation were first computed. With these differentials known, it was possible to classify the occupations according to the wage differentials actually paid and to study the amount of variation in the differentials of the various companies. The data used were such that it was possible to make comparison between service and productive occupations and between daywork rates and incentive earnings.

The report shows by charts the rela-

tion of incentive differentials to grades of difficulty, the relation of service and productive occupations, and an example of how to compare the rates in an individual firm with the market averages.

The occupational definitions used in the original survey are presented in full to facilitate the use of the "yardstick" developed by this analysis by companies that wish to check the alignment of their occupations with each other against an alignment based on the differentials actually paid in a well-organized labor market.

Industrial Organization and Management. By Ralph C. Davis. Harper & Brothers, New York, 1940. 636 pages. $5.00.

This is a revision of this well-known text which was originally published in 1928. The book has been extensively rewritten; new material has been added and the subject reconsidered in the light of increased managerial responsibilities of the twenties. In addition to very comprehensive treatment of all the usual subjects necessary to complete coverage of factory management, the volume discusses the effect on operating problems of new trends in the design of industrial buildings, production and inventory control in continuous manufacturing, labor relations and morale-building.

Following each chapter problems whose solution is based on the preceding text are presented to the reader. The book is liberally illustrated and well indexed.

100 Packaging Case Histories. Compiled by Albert Q. Maisel. Breskin Publishing Corporation, New York, 1939. 223 pages. $2.50.

Mr. Maisel in this volume tracks down 100 package redesign jobs, finds out how the containers were changed, whether the redesigning involved plant changes, whether it increased labor costs, and how the redesign operation affected sales. Into 223 pages he has packed a vast store of practical packaging information.

Especially valuable is the volume's prefatory "Thesis," which provides an illuminating backdrop for the case histories that form the bulk of the text. In this preface Mr. Maisel points out the causes of package obsolescence—style, technological change, new materials, new processes (quick freezing, laminating, direct color photography), changed markets, and Federal, state and local laws affecting packaging.

The real value of Mr. Maisel's study lies in this fact: When confronted with the necessity of making alterations that may vitally affect the sales of his product, the manufacturer must meet a highly specialized problem which by its nature does not occur frequently enough to provide a backlog of experience. The concentration of experience in the volume contributes very practically toward the solution of that problem. For, while none of the cases could be used as a blueprint for other redesign jobs, the results that are tabulated will help the manufacturer to visualize his problem in more concrete fashion.

In each of the 100 cases, five aspects of the redesign job are described: the kind of product, the market and market conditions, comparison between the old and new package, plant changes required, and the sales achievements. Pictures of the old and redesigned containers are shown in each instance.

All the data will be helpful to the manufacturer of packaged merchandise but especially interesting are the figures pertaining to sales. Mr. Maisel reports the following statistics for the 58 per cent of the cases for which sales data were available: In six instances sales increased up to 20 per cent; in eight instances increases ranged between 21 and 49 per cent; in eight instances increases of 50 per cent were recorded; in 13, increases ranged from 51 to 100 per cent; in 16 instances, from 101 to 200 per cent; and in seven instances increases of 200 per cent or over were recorded.

Briefer Book Notes

INDUSTRIAL PURCHASING—PRINCIPLES AND PRACTICE. By Howard T. Lewis. Business Publications, Inc., Chicago, 1940. 598 pages. $4.00. A discussion of general principles for the sound procurement of the materials, parts, supplies and equipment required by a manufacturer in the normal conduct of his business. Organization of the purchasing department, quality and quantity control, sources and assurance of supply, purchase budgets, etc., are some aspects of the purchasing agent's job examined by Mr. Lewis. Sponsored by The National Association of Purchasing Agents.

CORPORATION AND PARTNERSHIP INSURANCE. By Leon Gilbert Simon. The National Underwriter Co., Cincinnati, 1939. 240 pages. $2.50. A sales handbook, written in a non-technical style, designed primarily for the salesman in the field of business life insurance. Fundamentals underlying the terms of agreement in business insurance policies for executives in both incorporated and unincorporated companies are given. The large number of cases presented verbatim—actual interviews, etc.—form an important part of the text.

PROCEEDINGS OF THE LIFE OFFICE MANAGEMENT ASSOCIATION. Life Office Management Association, New York, 1939. 308 pages. $5.00. A compilation of papers presented at the Association's conference in New York, September 27-29, 1939. Of outstanding value is a detailed analysis of the organization and operation of a central transcribing department. Other subjects treated are cost accounting, salary administration, presentation of financial statements, employee education, staff responsibility for favorable public relations, film record retention, loan practices, etc.

FOOL'S PROFITS. By Arundel Cotter. Barron's Publishing Company, Inc., New York, 1940. 183 pages. $2.00. This exposition of the new last-in-first-out method of inventory accounting is particularly timely in view of the provision in the Revenue Act of 1939 permitting use of "LIFO" for manufacturers' tax reports. Mr. Cotter shows how companies using raw materials subject to wide price fluctuations may utilize this modern accounting method to achieve greater earnings stability, to effect some tax reductions, and to help level out economic swings. The book is addressed primarily to the corporate executive rather than to the accounting technician.

SCIENTIFIC TYPEWRITING. By August Dvorak et al. American Book Company, New York, 1939. 269 pages. $1.76. This text for beginning typists demonstrates the teaching principles recommended in Dvorak's "Typewriting Behavior," a Carnegie study of all phases of typewriting. Exercises, drills and other data are offered for both the Standard Keyboard and for the Simplified Keyboard. The instruction system is designed to shorten the learning period so that the novice typist quickly attains speed writing for either personal or vocational use.

COMMODITY YEAR BOOK—1939. Commodity Research Bureau, Inc., New York, 1939. 624 pages. $7.50. This volume inaugurates an annual reference work of commodity statistics on production, consumption, supplies, prices, etc., presented in tabular and chart form. Historical information and a 1938 chronology introduce statistics for about 50 important products. Nine economic studies of current interest, covering such topics as war and commodities, relationship between stock prices and commodity prices, governmental activities in commodities, U. S. balance of trade, weather factors, per capita consumption and population trends, etc., are included.

RADIO AS AN ADVERTISING MEDIUM. By Warren B. Dygert. McGraw-Hill Book Company, Inc., New York, 1939. 269 pages. $3.00. Written to give business men and advertising executives enough fundamental data about radio to evaluate its use as an advertising medium. Space buying, research, testing, the psychology of the consumer (including his radio habits), and circulation are among points considered. Graphic circulation statistics compiled by several broadcastng research groups are included.

PRINCIPLES OF INDUSTRIAL MANAGEMENT FOR ENGINEERS. By L. P. Alford. The Ronald Press Company, New York, 1940. 553 pages. $4.50. Essentially a text for a course of instruction in management, this volume should also prove valuable as a reference work for the operating executive. It embraces such aspects of management as: theory of organization, the control of materials in manufacturing, fundamentals of time standards, cost accounting, plant maintenance, labor management and employer-employee relations, measurement of performance, and research in industrial administration and management.

THE ANALYSIS AND CONTROL OF DISTRIBUTION COSTS. By J. Brooks Heckert. The Ronald Press Company, New York, 1940. 437 pages. $5.00. Sales executives and accountants will find this a guidebook in formulating procedures for analysis, direction and control of marketing activities. Mr. Heckert outlines in detail a basically sound plan for attacking the problem of distribution costs. Each chapter is crammed with workable illustrative material for routines which are described step by step.

NATIONAL CLERICAL ABILITY TESTS. Joint Committee on Tests, National Office Management Association and National Council of Business Education, Cambridge, Mass., 1939. Multi. 43 pages. A report on an experimental program conducted to evolve tests for skilled office workers which would rate aptitude, performance, knowledge of fundamentals, general information and personality. Use of the tests for school certification, pre-employment determination of ability, and appraisal of the relative efficiency of clerical workers is discussed. Questions are answered concerning the administration and scope of the tests and the evaluation of test results.

A MANUAL FOR OCCUPATION EVALUATION. By B. C. Gould. Stevenson, Jordan & Harrison, New York. 30 pages. Gratis. A firm of management engineers presents in usable form the basic principles and evaluating data for analysis of wage-rate structures. The manual is designed to provide management with a tested method of establishing equitable differentials in wage rates for all industrial occupations. Procedure steps, charts, forms, weighted rating scales and summary sheets comprise the text.

COMPANY PLANS FOR EMPLOYEE PROMOTIONS. By Helen Baker. Industrial Relations Section, Princeton University, Princeton, N. J., 1939. 48 pages. 75 cents. This report presents an analysis of promotion programs in representative companies which should be helpful to executives concerned in the formulation of industrial relations policies. Selection of individuals for promotion, training methods, employee information on promotion policy and vacancies, and evaluation of the promotion plan in relation to the industrial relations program as a whole are among points discussed. Promotion plans now used by three manufacturing corporations are appended.

BOOKS RECEIVED

Industrial Homework. By Ruth Enalda Shallcross. Industrial Affairs Publishing Co., New York, 1939. 257 pages. $2.75.

The Retail Personnel Primer. National Retail Dry Goods Association, New York, 1940. 167 pages. $1.50, members; $2.50, non-members.

The Wagner Labor Relations Act. A Manual for Department Heads and Foremen. By Russell L. Greenman. National Foremen's Institute, Inc., New York, 1939. 16 pages. 50 cents.

Business Principles and Management. By Bernard A. Shilt and W. Harmon Wilson. South-Western Publishing Company, Cincinnati, 1940. 636 pages. $1.80.

The Ebb and Flow of Investment Values. By Edward S. Mead and Julius Grodinsky. D. Appleton-Century Company, Inc., New York, 1939. 513 pages. $5.00.

Training for Effective Speech. By Robert T. Oliver. The Cordon Company, New York, 1939. 560 pages. $2.50.

Retail Training in Principle and Practice. By Helena Marsh Lester. Harper & Brothers, New York, 1940. 174 pages. $2.50.

A Study of Accident Proneness Among Motor Drivers. Industrial Health Research Board Report No. 84. By E. Farmer and E. G. Chambers. His Majesty's Stationery Office, London, 1939. 56 pages. 9*d*.

Business Cycles and Forecasting. By Elmer C. Bratt. Business Publications, Inc., Chicago, 1940. Revised edition. 814 pages. $4.00.

Safeguarding Life Insurance Proceeds. By Walter J. Wheeler and Thomas Lea Todd. McGraw-Hill Book Company, Inc., New York, 1940. 193 pages. $2.50.

Some Aspects of Training and Managing Wholesalers' Salesmen. By John H. Frederick. University of Texas, Austin, Tex., 1939. Mimeo. 21 pages. $1.00.

Economic Factors Affecting Industrial Relations Policy in the War Period. By Sumner H. Slichter. Industrial Relations Counselors, Inc., New York, 1939. 32 pages. $1.00.

New England Community Statistical Abstracts. Social and Economic Data for 175 New England Cities and Towns. Compiled by Ralph G. Wells and John S. Perkins. Bureau of Business Research, Boston University College of Business Administration, Boston, 1939. 368 pages. $3.50.

Private Pension Plans and the Federal Revenue Act. By Albert Handy. New York University School of Law Contemporary Law Pamphlets, Series 1, No. 15. *New York University Law Quarterly Review*, New York, 1939. 27 pages. $1.00.

Physical Examinations in the Iron and Steel Industry. A Survey and Report. American Iron and Steel Institute, New York, 1940. Mimeo. 89 pages. Gratis.

Employment, Wages and International Trade. International Labor Office Studies and Reports, Series B, No. 32, Geneva, 1940. International Labor Office, Washington, D. C. 107 pages. 75 cents.

Dictionary of Terms and Expressions of Industrial Psychology. In German, English, French and Hungarian. By Michael Erdélyi and Frank Grossman. Pitman Publishing Corporation, New York, 1939. 98 pages. $2.75.

Economic Relations with Latin America. Proceedings of Conference, Institute of Latin American Studies, Aug. 11-12, 1939. Edited by D. M. Phelps. University of Michigan Press, Ann Arbor, Mich., 1940. 75 pages. $1.00.

Papers on Auditing Procedure and Other Accounting Subjects. Presented at 52nd Annual Meeting, American Institute of Accountants, New York, 1939. 295 pages. $1.00.

The Walsh-Healey Act. A Manual for Department Heads and Foremen. By Leslie Elwood Sanders. National Foremen's Institute, Inc., New York, 1939. 37 pages. 50 cents.

The Labor Act—Is It Tolerable? By Thomas H. Slusser. The Cuneo Press, Inc., Chicago, 1939. 100 pages. $1.00.

Labeling the Consumer Movement. By Werner K. Gabler. American Retail Federation, Washington, D. C., 1939. 58 pages. 50 cents.